

Message Text

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ACTION COME-00

INFO OCT-01 ARA-16 ISO-00 SPC-03 SAM-01 AID-20 EB-11

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 CIAE-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 INT-08 SCI-06 FEA-02 DODE-00 PM-07 H-03

L-03 PA-04 PRS-01 USIA-15 DRC-01 /184 W

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R 122009Z FEB 74

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 6289

UNCLAS TEGUCIGALPA 0599

E.O. 11652: N/A

TAGS: EIND, HO

SUBJ: SHORT SUPPLY PROBLEMS

REF: (A) STATE 023940, (B) TEGUCIGALPA 3148 OF 8/21/73,
(C) TEGUCIGALPA 149 OF 1/11/74, (D) TEGUCIGALPA
A-117 OF 11/15/73

SUMMARY: ONLY BASIC INDUSTRIAL MATERIAL NOW PROHIBITED
FROM EXPORT IS SCRAP METAL. OTHER IMPORTANT EXPORTS,
I.E., LUMBER, MINERALS, CEMENT, ARE NOT RESTRICTED
ALTHOUGH GOH MEASURES TAKEN TO PROVIDE GREATER BENEFIT
RESULTING FROM EXPORTS FOR THE "NATION." END SUMMARY.

1. THE BASIC INDUSTRIAL MATERIALS WHICH ARE AMONG
HONDURAS' PRINCIPAL EXPORTS ARE LUMBER, LEAD AND ZINC,
CEMENT, AND PETROLEUM DERIVATIVES. THERE IS PRESENTLY NO
SPECIFIC LIMITATION ON THE EXPORT OF THESE ITEMS; ON THE
CONTRARY, THE GOH VIEWS AT LEAST THE FIRST THREE AS
IMPORTANT CONTRIBUTORS TO THE FAVORABLE INTERNATIONAL
RESERVE POSITION NOW ENJOYED BY HONDURAS. PETROLEUM
PRODUCT EXPORTS ARE THOSE ITEMS RESULTANT FROM THE REFINING
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PROCESS (THERE IS ONE REFINERY IN HONDURAS) WHICH ARE

EXCESS TO LOCAL NEEDS, PARTICULARLY FUEL OIL AND LIQUIFIED PETROLEUM GAS (SEE REFTEL B).

2. THE ONLY BASIC INDUSTRIAL ITEM SPECIFICALLY PROHIBITED FROM EXPORT IS IRON AND STEEL SCRAP. ACUERDO NO. 330 OF 11/5/75 PROHIBITING EXPORTS IS BASED ON SUPPLY REASONS BUT DOES GIVE THE MINISTRY OF ECONOMY POWER TO AUTHORIZE EXPORTS WHEN SUCH WILL NOT JEOPARDIZE THE OPERATIONS OF LOCAL COMPANIES WHICH UTILIZE SCRAP.

3. DECREE 91 (REFAIR D) OF 11/8/73 STATED THE GOH CAN INSTITUTE A MECHANISM OF QUOTAS AND LICENSES ON BASIC CONSUMER ITEMS AND INDISPENSABLE RAW MATERIALS TO ASSURE AN ADEQUATE INTERNAL SUPPLY, AND CHARGED THE MINISTRY OF ECONOMY WITH MAKING UP A LIST OF ARTICLES SUBJECT TO THESE MEASURES. SUCH A LIST HAS YET TO BE COMPILED ALTHOUGH THE MINISTRY HOPES TO HAVE IT OUT NEXT WEEK. EMBASSY WILL REPORT ITS CONTENT.

4. THE INTERNAL MARKETING AND EXPORT OF LUMBER AND WOOD PRODUCTS (INCLUDING RESIN DISTILLATION PRODUCTS) WAS MADE AN EXCLUSIVE FUNCTION OF A GOH ENTITY CALLED COHDEFOR (HONDURAN CORPORATION FOR FORESTRY DEVELOPMENT) WHICH WAS CREATED BY DECREE 103 ON JANUARY 15, 1974 (REFTEL C). THE PRIMARY JUSTIFICATION FOR THIS MOVE BY THE GOH IS THE DESIRE FOR THE STATE TO HAVE A DIRECT SHARE IN THE EARNINGS RESULTING FROM LUMBER EXPORTS AND TO BE IN A BETTER POSITION TO CORRECT ABUSES IN THE LUMBER INDUSTRY, E.G., TAX EVASION, DEFORESTATION, ETC. COHDEFOR IS ALSO CHARGED WITH GUARANTEEING AN ADEQUATE SUPPLY OF LUMBER FOR THE INTERNAL MARKET ALTHOUGH NO SPECIFIC RESTRICTIONS ON EXPORTS HAVE YET RESULTED. COMPLAINTS HAVE BEEN VOICED RECENTLY, HOWEVER, BY FURNITURE AND OTHER MANUFACTURERS ABOUT SHORTAGES OF RAW MATERIALS. AT PRESENT COHDEFOR'S PRIMARY CONCERN IS MAINTAINING THE SMOOTH FLOW OF EXPORTS AND EXPANDING THE INDUSTRY. IN JUNE 1973 EXPORT DUTIES ON LUMBER WERE RAISED BUT THIS WAS A REVENUE RAISING MEASURE.

5. RE MINERAL EXPORTS, IT IS POSSIBLE THAT LEGISLATION WILL BE FORTHCOMING WITHIN A FEW MONTHS REQUIRING MORE IN-

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COUNTRY PROCESSING OF ORE BEFORE EXPORT, FOR EMPLOYMENT AND VALUE-ADDED REASONS. ONE PROPOSAL WOULD BE A TAX TO BE APPLIED INVERSELY TO THE DEGREE OF TRANSFORMATION OF THE MINERAL IN THE COUNTRY. THE INTENT WOULD NOT BE TO LIMIT EXPORT, HOWEVER.
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